

Message Text

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NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 FEA-01 INT-05 EUR-12

EA-09 STR-04 /129 W

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P 261347Z JAN 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 1698

UNCLAS SECTION 1 OF 3 CARACAS 0878

E.O. 11652: N/A

TAGS: BEXP, VE

SUBJECT: COUNTRY COMMERCIAL PROGRAM (CCP) FY-77

REF: 75 CARACAS A-27, CARACAS 0477

SECTION I: OVERVIEW

1. DESPITE AN ANTICIPATED LESSENING IN GOV INCOME DUE PRIMARILY TO DELIBERATELY REDUCED PETROLEUM PRODUCTION, THE GOVERNMENT'S DEVELOPMENT PROGRAM IS EXPECTED TO CONTINUE INTO THE FY-77, 78 PERIOD WITH NO SUBSTANTIAL CHANGE. A GENERAL POLICY OF AUSTERITY WITH REGARD TO NON-ESSENTIAL IMPORTS, TAXATION, GOVERNMENT HIRING, AND GOV OPERATIONAL EXPENDITURES IN GENERAL WAS ANNOUNCED BY THE PRESIDENT ON JANUARY 1. THIS POLICY IS BEING ADOPTED TO MAINTAIN SUPPORT FOR THE DEVELOPMENT PROGRAM. WITH LESS INCOME TO WORK WITH, THE GOVERNMENT IS ATTEMPTING TO OBTAIN CONGRESSIONAL APPROVAL FOR THE SALE OF PUBLIC BONDS TO FINANCE DEVELOPMENT SCHEMES. IN ADDITION, FOREIGN LENDING ORGANIZATIONS ARE EXPECTED TO TAKE UP THE SHORTFALL IN FINANCING MANY OF THE MAJOR DEVELOPMENT PROJECTS. WHILE TRADE DATA FOR THE FIRST THREE QUARTERS OF 1975 INDICATED A DRAMATIC (38 PERCENT) INCREASE IN U.S. EXPORTS TO VENEZUELA, U.S. FINANCING MUST BE HIGHLY COMPETITIVE IF THIS TREND IS TO

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CONTINUE INTO 1976. A MAJOR EXPORT PROMOTION EFFORT IS BEING MADE

IN VENEZUELA BY THE FRENCH, BRITISH, GERMANS, JAPANESE, AND CANADIANS. ADDITIONALLY, COUNTRIES NOT USUALLY AGGRESSIVE IN THIS MARKET, BRAZIL, ARGENTINA, HOLLAND, CZECHOSLOVAKIA, ITALY, AND MEXICO ARE INCREASING THEIR PROMOTIONAL EFFORTS. DESPITE SEVERE COMPETITION, U.S. TECHNOLOGICAL SUPREMACY (ESPECIALLY IN CAPITAL GOODS), PROXIMITY AND ESTABLISHED TIES ALL BODE WELL FOR A CONTINUING INCREASE IN U.S. SALES IN THIS MARKET.

2. VENEZUELA IS THE MAJOR U.S. SOURCE OF FOREIGN PETROLEUM; IT IS ALSO THE U.S.' 12TH MOST IMPORTANT EXPORT MARKET. U.S. COMMERCIAL/ECONOMIC OBJECTIVES ARE PRIMARILY DIRECTED TO ASSURE CONTINUED IMPORTS OF OIL FROM VENEZUELA; TO MAXIMIZE GENERAL U.S. EXPORTS TO VENEZUELA; AND TO MAXIMIZE U.S. INVOLVEMENT IN VENEZUELA'S DEVELOPMENT EFFORT AS A MECHANISM FOR STRENGTHENING OUR TRADITIONAL AS WELL AS FUTURE COMMERCIAL RELATIONS.

3. FY-1977 CAMPAIGNS IN VENEZUELA ARE TIED TO VENEZUELA'S ANNOUNCED DEVELOPMENT PROGRAM. IN ADDITION TO THE CAMPAIGNS SHOWN IN REPAIR, THE NUMBER OF FY-1977 CAMPAIGNS SHOULD BE INCREASED BY THREE: MAJOR DAMS AND ELECTRIC POWER GENERATION; RAILROAD CONSTRUCTION AND EQUIPMENT; AND REGIONAL DEVELOPMENT ORGANIZATIONS. ADDITIONALLY, CAMPAIGN NO. 5 - METALWORKING AND FINISHING EQUIPMENT AND STEEL PROCESSING EQUIPMENT - SHOULD BE DIVIDED INTO TWO CAMPAIGNS: THE METALURGICAL INDUSTRY (STEEL AND ALUMINUM); AND METALWORKING AND FINISHING EQUIPMENT. THIS DIVISION WILL ALLOW A BETTER FOCUS ON THE OBJECTIVES OF THE TWO CLOSELY RELATED YET DISTINCT CAMPAIGNS.

SECTION II: PERSONNEL RESOURCES LIST

U.S. PROFESSIONAL PERSONNEL	PERSON DAYS
EC COUNSELOR	112
EC COMMERCIAL ATTACHE	225
EC FINANCIAL REPORTING OFFICER	20
EC PETROLEUM REPORTING OFFICER	10
EC COMMERCIAL OFFICER	225
EC COMMERCIAL OFFICER	225
EC COMMERCIAL OFFICER (NEW POSITION) #	225
EC COMMERCIAL OFFICER (NEW POSITION) #	225
EC COMMERCIAL OFFICER (NEW POSITION) #	225

U.S. STAFF PERSONNEL

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FSS EXECUTIVE SECRETARY (EC SOUNSELOR)	112
FSS EXECUTIVE SECRETARY (FINANCIAL REPORTING OFFICER AND PETROLEUM REPORTING OFFICER)	20

LOCAL PERSONNEL

EC PROFESSIONAL	225
EC PROFESSIONAL (NEW POSITION) #	225
EC SPEC II MARKET ANALYSIS UNIT	125

EC SPEC III LIBRARIAN	225	
EC SPEC II (1/3 TIME FOR CCP)	75	
EC TECH I WTDR'S	225	
EC TECH I GENERAL ASSIGNMENTS	225	
EC EXECUTIVE SECRETARY (COMMERCIAL ATTACHE)	225	
EC EXECUTIVE SECRETARY	225	
EC EXECUTIVE SECRETARY (NEW POSITION) #	225	
EC EXECUTIVE SECRETARY (NEW POSITION) #	225	

CONTINGENT ON APPROVAL OF COMMERCIAL TASK FORCE CONCEPT BY DEPARTMENT.

CAMPAIGN WORKSHEET: MAJOR DAMS AND OTHER POWER PROJECTS

CAMPAIGN STATEMENT:

THE EXPANSION OF THE GURI DAM (RAUL LEONI DAM) IS TO COST ONE BILLION DOLLARS IN CIVIL WORKS ALONE. WHILE IT IS EXPECTED THAT BY BEGINNING OF FY 77 ALL MAJOR CONTRACTS WILL HAVE BEEN LET, CONSIDERABLE INPUT IN EQUIPMENT AND SUPPLIES WILL BE REQUIRED FOR A PERIOD OF AT LEAST FOUR YEARS. THE URIBANTE-CAPARA DAMS WITH THREE POWER GENERATING PLANTS WILL STILL BE UNDER ENGINEERING STUDY. THIS PROJECT IS TO COST OVER \$600 MILLION. CADAFE INTENDS TO START THE STUDIES OF AT LEAST TWO MORE LARGE THERMOELECTRIC STATIONS IN ADDITION TO THE "CENTRO" PLANT PRESENTLY UNDER CONSTRUCTION. CADAFE IS ALSO STUDYING THE APPLICATION OF NUCLEAR POWER DURING THE DECADE 1980-90. ITS ONGOING RURAL ELECTRIFICATION PROGRAM, A NUMBER OF LARGE TRANSMISSION LINES, UP TO 400 KV, A NUMBER OF SUB-STATIONS, CONTROL AND LOAD DISPATCH CENTERS AND PRIVATE POWER GENERATION FACILITIES (SELF-SUPPLIERS) WILL CREATE A STEADY LARGE MARKET FOR POWER GENERATION AND DISTRIBUTION EQUIPMENT.

CAMPAIGN OBJECTIVES:

ASSURE ADEQUATE PARTICIPATION BY U.S. MANUFACTURERS IN LARGE AND SMALL PROJECTS, IN SUPPLYING EQUIPMENT, PROVIDING ENGINEERING SERVICES AND TECHNICAL ASSISTANCE. INDUCE MORE U.S. MANUFACTURERS

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TO OBTAIN LOCAL AGENTS TO COVER SMALLER PROJECTS AND TO ASSURE FLOW OF OFF-THE-SHELF EQUIPMENT TO CONSUMERS.

ACTION CALENDAR:

TIME SCHEDULE TO DEPEND LARGELY ON GOV INTENTIONS. SPECIFIC ACTIONS AS FOLLOWS:

1. MAINTAIN CLOSE CONTACTS WITH EDELCA AND CADAFE TO MONITOR PROGRESS

OF LARGE PROJECTS AND TO ASSURE ADEQUATE INFORMATION GATHERING FOR FUTURE PROJECTS.

2. ESTABLISH CONTACTS BETWEEN U.S. MANUFACTURERS, ENGINEERING COMPANIES AND LOCAL EQUIPMENT SUPPLIERS OF U.S. MADE ITEMS AND EDELCA AND CADAFE BY GIVING SUPPORT TO SALES EFFORTS.

3. MONITOR SELF-SUPPLIER PROJECTS, ESPECIALLY MINES, IVP, STEEL

PLANTS, SUGAR MILLS.

4. REPORT PROGRESS, TIME SCHEDULES, NEW PROJECTS AS SOON AS INFORMATION BECOMES AVAILABLE.

5. INDUCE A CADAFE TO INITIATE EARLY STUDY AND DECISION REGARDING NUCLEAR POWER FACILITIES IN VIEW OF LONG LEAD TIMES, IF POSSIBLE THROUGH ARRANGING VISITS BY U.S. EXPERTS.

CAMPAIGN WORKSHEET: RAILROAD PROJECTS

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CIEP-02 LAB-04 SIL-01 OMB-01 FEA-01 INT-05 EUR-12

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TO SECSTATE WASHDC 1699

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CAMPAIGN STATEMENT :

VENEZUELA INTENDS TO EMBARK ON AN AMBITIOUS RAILROAD PLAN, THE FIRST

PHASE OF WHICH IS ESTIMATED TO COST ONE BILLION DOLLARS AND IS TO

INCLUDE 780 KILOMETERS OF RAILROAD, A RAILROAD CAR PLANT, SIGNALING EQUIPMENT AND A TRAINING PROGRAM. WHILE PRESELECTION OF BIDDERS FOR THIS LARGE TURNKEY PROGRAM IS TO BE CONCLUDED BEFORE THE BEGINNING OF THIS CAMPAIGN, CONSIDERABLE SUPPORT IS TO BE GIVEN THE WINNER IN VIEW OF THE GREAT VARIETY OF EQUIPMENT TO BE PURCHASED. ALSO, BIDDING ON THE SECOND PHASE, ANOTHER 800 KM OF RAILROAD,

IS TO BEGIN SOON AFTER AND SEVERAL ANCILLARY SPURS AND LINES WILL BE

BUILT. THE RAILROAD PROGRAM THEREFORE IS CONSIDERED A VERY IMPORTANT MARKETING OPPORTUNITY, EVEN IF THE PRIME CONTRACTOR FOR THE FIRST PHASE SHOULD BE FROM A THIRD COUNTRY.

CAMPAIGN OBJECTIVES:

ASSIST PRIME CONTRACTOR IN SELECTION OF EQUIPMENT; INFORM U.S. INDUSTRY OF SALES OPPORTUNITIES; IMPROVE POSSIBILITIES FOR U.S. COMPANIES TO PARTICIPATE IN FUTURE PROJECTS AND EXTENSIONS OF THE
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NETWORK.

ACTION CALENDAR:

THE ACTION SEQUENCE WILL DEPEND ENTIRELY ON THE TIME SCHEDULE OF THE PROJECT AND OF THE GOV'S INTENTIONS. CAMPAIGN SCHEDULE THEREFORE

CANNOT BE TIED TO SPECIFIC CALENDAR DATES AT THIS MOMENT.

SPECIFIC ACTIONS ARE AS FOLLOWS:

1. IDENTIFY AND ESTABLISH CLOSE CONTACT WITH COMPANIES PREQUALIFIED

TO BID ON FIRST PHASE; INFORM THEM OF ASSISTANCE AND SERVICE WHICH POST CAN PROVIDE.

2. MAINTAIN CLOSE CONTACT WITH GOV RAILROAD ADMINISTRATION TO (A) OBTAIN TIME SCHEDULE; (B) OBTAIN DETAILS ON FUTURE PROJECTS.

3. REPORT (A) AND (B) AS SOON AS AVAILABLE.

4. IDENTIFY AND ESTABLISH CONTACT WITH WINNER OF BID AND PROVIDE HIM WITH INFORMATION REGARDING U.S. INDUSTRY CAPABILITIES, NAMES OF

MANUFACTURERS, TOP SERVICE, IF FROM THIRD COUNTRY. IF WINNER IS

U.S. FIRM, ASSIST IT IN LOCATING SOURCES OF EQUIPMENT.

CAMPAIGN WORKSHEET - REGIONAL DEVELOPMENT ORGANIZATIONS

CAMPAIGN STATEMENT :

THERE ARE FIVE ACTIVE AND SOLVENT REGIONAL DEVELOPMENT ORGANIZATIONS

IN VENEZUELA, INCLUDING THE VERY STRONG AND PRESTIGIOUS CORPORACION VENEZOLANA DE GUAYANA (CVG) . THEIR TOTAL FUNDING FROM THE CENTRAL GOVERNMENT, WHICH SUPPLEMENTS THEIR OWN INTERNAL RESOURCES, WAS APPROXIMATELY \$140 MILLION IN 1975, AND FOR 1976, WILL BE APPROXIMATELY \$110 MILLION. ADDITIONALLY, RESPONSIBILITY FOR THE INDUSTRIAL DEVELOPMENT OF THE ZULIA COAL AND STEEL PROJECTS IS

EXPECTED TO FALL TO THE REGIONAL DEVELOPMENT AGENCY, CORPOZULIA.

THIS PROGRAM WILL REQUIRE AN INVESTMENT OF OVER SEVEN BILLION DOLLARS, INCLUDING HEAVY EXPENDITURES ON PLANT AND EQUIPMENT.

(REFTE

). WITH THE EXCEPTIONS OF CCG AND CORPOZULIA--BOTH INVOLVED

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IN SOME OF THE VERY LARGEST INDUSTRIAL PROJECTS IN VENEZUELA--
THE REGIONAL DEVELOPMENT AGENCIES ARE MOST HEAVILY INVOLVED IN
AGRICULTURE, FOOD PROCESSING, PUBLIC HOUSING, AND MEDIUM-SCALE
INDUSTRIAL PROJECTS. THE VENEZUELAN GOVERNMENT IS ENCOURAGING
DEVELOPMENT OF THE INTERIOR AND SEVERAL AGENCIES HAVE RESOURCES
WHICH MAY BE DIRECTED TO THIS PURPOSE. CORPORACION VENEZOLANA
DE FOMENTO (CVF), CORPOINDUSTRIAS, AND INSTITUTO VENEZOLANO DE
PRODUCTIVIDAD (INPRO) HAVE A TOTAL 1976 BUDGETS TOTALLING
SOMEWHAT IN EXCESS OF \$100 MILLION. THE BS. 2 BILLION FONDO DE
CREDITO INDUSTRIAL ALSO INVESTS IN PRIVATE SECTOR DEVELOPMENT
PROJECTS. IN GENERAL, THESE DEVELOPMENT ORGANIZATIONS MAINTAIN
STAFFS OF MANAGERS AND TECHNICIANS WHICH PREPARE PROJECT
FEASIBILITY STUDIES. PRIVATE SECTOR INVESTORS WHICH UNDERTAKE
PROJECTS DESIGNATED OR APPROVED BY THE ORGANIZATIONS ARE GRANTED
PARTIAL FINANCING FOR THE PROJECTS BY THE SPONSORING ENTITY.

CAMPAIGN OBJECTIVES:

PREPARE AND MAINTAIN COMPREHENSIVE AND CURRENT STATUS REPORTS ON
EACH SIGNIFICANT PROJECT TO BE SPONSORED BY THESE ORGANIZATIONS, AN
D

FACILITATE THE PROVISION BY THESE ORGANIZATIONS O THEIR CLIENTS
OF INFORMATION ABOUT THE AVAILABILITY AND SUITABILITY OF THE GOODS
AND SERVICES OF U.S. FIRMS WHICH MAY BE REQUIRED IN THE EXECUTION O
F
THEIR PROJECTS. BECAUSE THE VENEZUELAN STEEL INDUSTRY IS BEING
DEVELOPED THROUGH REGIONAL PROGRAMS, THIS CAMPAIGN SHOULD BE VERY
CLOSELY COORDINATED WITH THE METALLURGICAL INDUSTRIES CAMPAIGN.

ACTION CALENDAR:

TIMING OF ACTIVITIES MUST BE DICTATED BY THE DEVELOPMENT SCHEDULES
OF THE REGIONAL AGENCIES AND CANNOT, AS YET, BE TIED TO SPECIFIC
DATES.

SPECIFIC ACTIONS TO BE TAKEN, AS FOLLOWS:

1. VISIT THE HEAD OFFICES OF EACH REGIONAL DEVELOPMENT CORPORATION
AND PRESENT OUTLINE OF SPECIFIC SERVICES OFFERED BY THE EMBASSY.
PRESENTATION SHOULD INCLUDE DESCRIPTIONS OF TOPS PROGRAM, COMMERCIA
L
LIBRARY FACILITIES AND USIS SERVICES.

2. CONTACT REGIONAL AGENCY DIRECTORS AT SET INTERVALS, TO DETERMIN
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NEW DEVELOPMENT NEEDS AND, IF POSSIBLE, TO SUPPLY ADDITIONAL
MATERIALS, CATALOGS, ETC.

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3. MAINTAIN FLOW OF INFORMATION ON NEW PROJECTS AND EQUIPMENT

NEEDS TO U.S. SUPPLIERS.

4. INSURE THAT AGENCY DIRECTORS ARE KEPT AWARE OF US PRODUCTS AND SERVICES AVAILABLE AND APPLICABLE TO REGION'S DEVELOPMENT PROGRAM.

CAMPAIGN STATEMENT:

METALLURGICAL INDUSTRY (STEEL AND ALUMINUM):

WITH SIDOR'S PLAN FOUR EXPANSION PROGRAM WELL UNDERWAY IN THE EASTERN STATE OF BOLIVAR, THE VENEZUELAN GOVERNMENT IS NOW TURNING ITS

ATTENTION TO THE LONG-DELAYED UTILIZATION OF THE COAL DEPOSITS OF WESTERN VENEZUELA. IN DECREES 1376 AND 1377 OF JANUARY 2, 1976, THE GOV ENDORSES THE CREATION OF A ZULIA-BASED INDUSTRIAL COMPLEX THAT WILL INCLUDE, WHEN COMPLETED, A COAL PLANT PRODUCING FIVE MILLION TONS OF COAL ANNUALLY AND A STEEL PLANT EQUAL IN SIZE TO CVG-SIDOR. THE INVESTMENT REQUIRED FOR THE TOTAL COMPLEX HAS BEEN ESTIMATED BY THE HEAD OF CORPOZULIA, THE DEVELOPMENT AGENCY IN CHARGE OF THE PROGRAM, AT OVER SEVEN BILLION DOLLARS. THREE AND ON

E
HAFL BILLION DOLLARS WILL BE NEEDED, ACCORDING TO THE SAME SOURCE, FOR THE STEEL COMPLEX ALONE. THUS, WHILE THE SIDOR PLANT WILL CONTINUE TO OFFER SUPPLY OPPORTUNITIES FOR U.S. EXPORTERS, THE NEW ZULIA

DEVELOPMENT WILL BEGIN TO REQUIRE IN FY 77 INPUTS OF EQUIPMENT AND ENGINEERING SERVICES THAT WILL PROBABLY SURPASS THOSE REQUIRED BY SIDOR IN ITS INITIAL DEVELOPMENT PHASES. ON A SMALLER SCALE, VENEZUELA'S PRIVATE STEEL INDUSTRY IS ALSO EXPANDING. SIVENSA, VENEZUELA'S LARGEST PRIVATELY OWNED STEEL PLANT INTENDS TO INCREASE ITS OUTPUT FROM 175,000 METRIC TONS IN 1975 TO 400,000 METRIC TONS BY 1979. IN TITAL, THE ASSOCIATION OF METALURGICAL INDUSTRIES AND MINING IN VENEZUELA ESTIMATES THAT ALMOST 100 MILLION DOLLARS WORTH OF INVESTMENTS WILL BE MADE IN THE PRIVATE SECTOR OF THE VENEUELAN STEEL INDUSTRY IN THE PERIOD 1976-1979.

OPPORTUNITIES FOR U.S. EXPORTERS IN THE PRIVATE SECTOR HAVE OFTEN BEEN OVERSHADOWED BY THE GREATER GLORIES OF SUPPLYING A SIDOR OR ZULIA PLANT. HOWEVER, THE INVESTMENT IN THIS SECTOR CONINUES TO EXPAND WITH THE BURGEONING VENEZUELAN ECONOMY. THE ALUMINUM INDUSTRY IS ALSO BEGINNING TO EXPAND AS PRODUCERS ATTEMPT TO MEET

THE DEMANDS OF A RAPIDLY GROWING MARKET. ALCASA HAS BEGUN AN
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EXPANSION THAT WILL INCREASE ITS PRODUCTION FROM 50,000 METRIC TONS TO 120,000 METRIC TONS PER YEAR BY JQUIM VENALUM, A VENEZUELAN-JAPANESE CONSORTIUM, HAS ALSO ENTERED THIS FIELD, AND IS PRECENTLY

CONSTRUCTING A PLANT TO PRODUCE 280,000 METRIC TONS OF ALUMINUM. THE ALCASA EXPANSION WILL ENTAIL AN INVESTMENT OF APPROXIMATELY \$200 MILLION AND THE VENALUM DEVELOPMENT WILL REQUIRE \$620 MILLION.

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EA-09 STR-04 /129 W

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TO SECSTATE WASHDC 1700

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THIS CAMPAIGN WILL BE DESIGNED TO INSURE U.S. EXPORTER AWARENESS OF SUPPLY OPPORTUNITIES IN BOTH THE PUBLIC AND PRIVATE SECTORS OF THE INDUSTRY. WHILE THE CENTRAL FOCUS WILL BE ON THE GOV-FUNDED INDUSTRIAL DEVELOPMENT AT CIUDAD GUAYANA AND IN ZULIA STATE, A SPECIAL EFFORT WILL ALSO BE MADE TO REACH DECISIONMAKERS IN THE EXPANDING PRIVATE SECTOR WITH INFORMATION ON AVAILABLE U.S. EQUIPMENT AND TECHNOLOGY AND TO KEEP U.S. SUPPLIERS AWARE OF EMERGING OPPORTUNITIES IN THIS SECTOR.

ACTION CALENDAR:

DATES ARE AGAIN DEPENDENT UPON GOV AND INDUSTRY DEVELOPMENT SCHEDULES. SPECIFIC ACTIONS, AS FOLLOWS:

1. CONTACT DECISION MAKERS AT CVG-SIDOR AND CORPOZULIA TO INDICATE U.S. INTEREST IN PROJECTS AND TO OFFER ALL ASSISTANCE POSSIBLE IN LOCATING SUPPLIERS OF SPECIFIC EQUIPMENT AND/OR TECHNOLOGY.
 2. REACH PRIVATE SECTOR DECISION MAKERS, IE., SIVENSA, SIDETUR, ETC., WITH INFORMATION ON COMMERCIAL ASSISTANCE AVAILABLE THROUGH COMMERCIAL SECTION AND USDOC.
 3. PROVIDE ASSISTANCE TO U.S. SUPPLIERS IN CONTACTING PUBLIC AND PRIVATE SECTOR DECISION MAKERS WITH INFORMATION ON U.S. PRODUCTS AND
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TECHNOLOGY.

4. ASCERTAIN LONG AND SHORT TERM EQUIPMENT, TECHNOLOGY AND SUPPLY NEEDS AND DISSEMINATE INFORMATION TO U.S. SUPPLIERS.

CAMPAIGN STATEMENT:

METALWORKING AND FINISHING MACHINERY AND EQUIPMENT:

VENEZUELAN STEEL PRODUCTION IS EXPECTED TO INCREASE BY OVER 300 PER CENT BETWEEN 1975 AND 1979. ALUMINUM PRODUCTION FOR THE SAME PERIOD WILL MORE THAN DOUBLE. THE VENEZUELAN GOVERNMENT RECOGNIZES THAT THE COUNTRY'S TRADITIONAL ROLE HAS BEEN AS AN EXPORTER OF RAW ORE AND UNFINISHED PRODUCT AND IS INITIATING MAJOR PROGRAMS TO INCREASE THE PROCESSING COMPONENT OF VENEZUELA'S EXPORT AND DOMESTIC PRODUCT. THE MOST DRAMATIC STEP WILL BE THE ENFORCED CONVERSION OF THE AUTOMOBILE INDUSTRY FROM ASSEMBLY TO DOMESTIC MANUFACTURE. UNDER A DECREE ISSUED BY THE MINISTRY OF DEVELOPMENT, AUTOMOBILES ASSEMBLED IN VENEZUELA MUST CONTAIN 90 PERCENT LOCAL CONTENT BY 1985. THIS MUST INCLUDE A LOCALLY MANUFACTURED DRIVE TRAIN. IT IS ESTIMATED THAT A DIRECT INVESTMENT OF AT LEAST \$500 MILLION WILL BE REQUIRED TO CONVERT THE INDUSTRY. IN A RELATED FIELD, THE VENEZUELAN CORPORATION OF GUAYANA HAS ANNOUNCED THE PLANNED CONSTRUCTION OF A \$35 MILLION TRACTOR AND DIESEL ENGINE FACTORY TO BE LOCATED IN THE STATE OF BOLIVAR. MUCH OF THE DEMAND FOR MACHINE TOOLS AND EQUIPMENT WILL BE GENERATED BY SMALLER PRIVATE INDUSTRIES. THE CONSTRUCTION BOOM WILL REQUIRE INCREASED PRODUCTION OF PIPES, WINDOW FRAMES, SIDINGS AND OTHER METAL BUILDING COMPONENTS. SPINOFFS FROM THE CONVERSION OF THE AUTOMOBILE INDUSTRY WILL ALSO GENERATE DEMANDS FOR MID-SCALE PRODUCTION EQUIPMENT FOR LOCALLY PRODUCED SMALL AUTO PARTS AND ACCESSORIES. THE MULTI-BILLION DOLLAR METRO AND NATIONAL RAILWAY PROJECTS, SHOULD ALSO DRAW HEAVILY ON LOCAL SUPPLIERS FOR CONSTRUCTION SUPPLIES, SMALL TOOLS AND EQUIPMENT. AN OVERALL EXPANSION OF THE METALWORKING INDUSTRY WILL, THEREFORE, OFFER U.S. EXPORTERS OF METALWORKING EQUIPMENT A WIDE RANGE OF SUPPLY OPPORTUNITIES.

CAMPAIGN OBJECTIVES:

CAMPAIGN WILL FOLLOW EMERGENCY OF DOMESTIC AUTOMOBILE MANUFACTURING INDUSTRY. LONG TERM INDUSTRY NEEDS WILL BE ASCERTAINED AND REPORTED FOR DISSEMINATION TO U.S. SUPPLIERS. ADDITIONALLY, A PROGRAM WILL BE DESIGNED TO REACH MIDDLE-SIZED COMPANIES IN EXPANDING METALWORKING INDUSTRY WITH INFORMATION ON COMMERCIAL ASSISTANCE AVAILABLE THROUGH TOPS, COMMERCIAL LIBRARY, ETC.

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1. INCREASE CONTACTS WITH GOV AND PRIVATE DECISION MAKERS INVOLVED IN CONVERSION OF AUTOMOBILE INDUSTRY TO DETERMINE LONG AND SHORT TERM NEEDS FOR DISSEMINATION TO U.S. SUPPLIERS.

2. HOLD TOPS FILM SHOWING, REPRESENTATIONAL EVENT, IE., INVITING MEMBERS OF RELEVANT ASSOCIATIONS IN METALWORKING INDUSTRY.

3. CONTACT DIRECTORS OF LEADING PRIVATE FIRMS TO DISCUSS NEEDS
GENERATED BY INDUSTRY EXPANSION AND TO PRESENT COMMERCIAL
ASSISTANCE PROGRAM.
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTRY COMMERCIAL PROGRAM (CCP) FY-77
TAGS: BEXP, VE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006